

that the label may be removable as specified in 40 CFR 1068.45(b).

(2) You may not resell the engine. For components other than the engine block, you may generate revenue from the sale of the components that you recover, or from the sale of new engines containing these components. You may also use components other than the engine block for engine rebuilds as otherwise allowed under the regulations. You may use the engine block from an engine that is exempted under this paragraph (c) only to make a new engine, and then only where such an engine has a separate identity from the original engine.

(3) Once the engine has reached its final destination, you may stop collecting records describing the engine's final disposition and how you use the engine. This does not affect the requirement to maintain the records you have already collected under 40 CFR 1068.215. This also does not affect the requirement to maintain records for new engines.

[73 FR 59259, Oct. 8, 2008, as amended at 75 FR 23025, Apr. 30, 2010]

**§ 1054.610 What is the exemption for delegated final assembly?**

The provisions of 40 CFR 1068.261 related to delegated final assembly do not apply for handheld engines certified under this part 1054. The provisions of 40 CFR 1068.261 apply for nonhandheld engines, with the following exceptions and clarifications:

(a) Through the 2014 model year, you may use the provisions of this section for engines you sell to a distributor, where you establish a contractual arrangement in which you designate the distributor to be your agent in all matters related to compliance with the requirements of this section. Identify each of the distributors you intend to designate as your agent under this paragraph (a) in your application for certification. You may continue to use the provisions of this paragraph (a) this for later model years for specific distributors if we approve it based on your clear and convincing demonstration that each distributor can be expected to comply fully with the requirements of this section and 40 CFR 1068.261. We may set additional condi-

tions beyond the provisions specified in this section to ensure that all engines will be in a certified configuration when installed by the equipment manufacturer.

(b) If you identify distributors as your agents under paragraph (a) of this section, you must perform or arrange for audits of all participating distributors and equipment manufacturers based on the following auditing rate instead of the provisions specified in 40 CFR 1068.261(d)(3)(i) and (ii):

(1) If you sell engines to 48 or more equipment manufacturers under the provisions of this section, you must annually perform or arrange for audits of twelve equipment manufacturers to whom you sell engines under this section. To select individual equipment manufacturers, divide all the affected equipment manufacturers into quartiles based on the number of engines they buy from you; select equal numbers of equipment manufacturers from each quartile each model year as much as possible. Vary the equipment manufacturers selected for auditing from year to year, though audits may be repeated in later model years if you find or suspect that a particular equipment manufacturer is not properly installing aftertreatment devices.

(2) If you sell engines to fewer than 48 equipment manufacturers under the provisions of this section, set up a plan to perform or arrange for audits of each equipment manufacturer on average once every four model years.

**§ 1054.612 What special provisions apply for equipment manufacturers modifying certified nonhandheld engines?**

The provisions of this section apply for all emission families through the 2014 model year; starting with the 2015 model year, these provisions are limited to small-volume emission families.

(a) *General provisions.* If you buy certified nonhandheld engines for installation in equipment you produce, but you install the engines such that they use intake or exhaust systems that are not part of the originally certified configuration, you become the engine manufacturer for those engines and must certify that they will meet emission standards. We will allow you to utilize